

Message Text

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43

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 SPC-03

AID-20 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01

USIE-00 SCEM-02 INT-08 DRC-01 SSO-00 NSCE-00 INRE-00

IO-14 /225 W

----- 111514

O R 281622Z DEC 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC IMMEDIATE 2237

INFO USINT ALGIERS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY BRASILIA

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

OECD PARIS 3805

C O N F I D E N T I A L LAGOS 10309

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJECT: POSSIBLE APPROACH TO DISCOURAGE EXCESSIVE
NIGERIAN INCREASE OF OIL PRICES

REF: (A) JIDDA 5715

(B) LAGOS 10308

(C) LAGOS 10238

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1. SUMMARY. IN HOPE OF FORESTALLING OIL PRICE INCREASES THAT MIGHT CONSTITUTE PRESSURE FOR FURTHER INFLATIONARY RISES, DEPARTMENT MIGHT CONSIDER DEMARCHES TO OIL STATES SUCH AS INDONESIA, LIBYA, NIGERIA AND VENEZUELA TO URGE THEY NOT SURPASS TEHRAN LEVEL. POSSIBILITY OF PERSIAN GULF PRICE RETREAT MIGHT ALSO ARGUE DESIRABILITY OF OTHER STATES HOLDING OFF PRICE ADJUSTMENT UNTIL DUST SETTLES. END SUMMARY.

2. IN RECENT SEE-SAW BETWEEN NIGERIA AND GULF STATES, EACH HAS SPURRED INCREASE IN OIL PRICES BY THE OTHER. PRIOR TO RECEIPT OF JIDDA 5715 WE WERE GOING TO PROPOSE FURTHER DEMARCHE TO URGE FMG THAT IF IT CONTEMPLATES RAISING OIL PRICES IN RESPONSE TO THE DECEMBER 22 TEHRAN INCREASE, IT SHOULD NOT REPEAT NOT RAISE THEM ABOVE TEHRAN LEVEL, AS THIS COULD CONSTITUTE PRESSURE FOR STILL FURTHER INFLATIONARY RISES. SIMILAR CONSIDERATIONS MIGHT OBTAIN WITH OTHER OIL-PRODUCING STATES LIKE LIBYA, VENEZUELA AND INDONESIA WHICH HAVE NOT YET RAISED JANUARY 1 PRICES BUT CAN BE EXPECTED TO DO SO IN AFTERMATH OF TEHRAN.

3. IF DEPARTMENT BELIEVES THERE IS ANY POSSIBILITY PERSIAN GULF STATES MIGHT RETREAT EVEN SLIGHTLY FROM DOLS 7.00 PRIC* (JIDDA 5715), IT MIGHT BE USEFUL ALSO TO GIVE SOME HINT OF THIS IMMEDIATELY TO OTHER PRODUCERS TO ENCOURAGE THEM TO HOLD OFF ANY PRICE ADJUSTMENT UNTIL DUST SETTLES. EVEN IF PERSIAN GULF STATES STAND FIRM AT PRESENT LEVEL, US AND OTHER GOVERNMENTS' DEMARCHES SIMILAR TO THAT CALLED FOR IN STATE 249382 MIGHT PERSUADE OTHER PRODUCERS TO CHOOSE FORMULAS WHICH WILL PRODUCE LESS EXTREME PRICE RISES (ALTHOUGH THEY WILL PRESUMABLY ADOPT FORMULAE DESIGNED AT LEAST TO MATCH GULF INCREASE).

4. FMG HAS SO FAR GIVEN NO INDICATION TO PRODUCING COMPANIES ABOUT NEW NIGERIAN OIL PRICES. IN OCTOBER, COMPANIES WERE FIRST CONSULTED, THEN NEW POSTED PRICE NEGOTIATED IN ORDER MAKE INCREASE OF BASE POSTING IDENTICAL TO PERSIAN GULF (PLUS 70 PERCENT) AND INCREASE OF OVERALL POSTING IDENTICAL TO LIBYAN INCREASE (PLUS 93.8 PERCENT). SO FAR AS WE CAN TELL, RECENT PERSIAN
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GULF DECISION INCREASES THE POSTED PRICE HERE TO \$18.90 (MAKING TAXES AND ROYALTIES COME TO ABOUT DOLS 11.00 RPT DOLS 11.00). PRESUMABLY THERE ARE FORMULAE WHICH WOULD LEAD TO GREATER OR LESSER INCREASES. ACTION BY US AND OTHER INTERESTED GOVERNMENTS MIGHT HELP COMPANIES NEGOTIATE RELATIVELY LOWER INCREASE.

5. IF DEPARTMENT AGREES WITH ABOVE SUGGESTION, EMBASSY

WOULD APPRECIATE RECEIVING ANY SPECIFIC DATA OR ARGUMENTATION
DEPARTMENT BELIEVES WOULD BE USEFUL IN RENEWED APPROACH TO FMG.
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Draft Date: 28 DEC 1973
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Disposition Approved on Date:
Disposition Authority: golinofr
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Disposition Date: 28 MAY 2004
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Disposition Reason:
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EO Systematic Review
30 JUN 2005

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